2021

Rwanda's Coffee Industry: Colonialism and the Impact of Fair Trade Coffee

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Introduction

It is no question that coffee is a treasured commodity shared by people across the globe. The growing interest in sustainability and ethical consumption as the world market has continued to globalize raises concern over the production of these coffee beans. Coffee is produced by countries across the southern hemisphere, but one country where coffee takes a particular importance is in Rwanda, a land-locked country in Central-East Sub-Saharan Africa.

Like in other Sub-Saharan African countries, Rwanda’s economy is dependent on agriculture. In 2016, Rwanda’s gross domestic product (GDP) was over ten billion current US dollars, and agriculture accounted for 33% of this GDP (*World Bank*). Coffee is essential to the Rwandan economy, and over the past decade, it has accounted for over 24% of the total agricultural exports (*The New Times | Rwanda*, 2018). Although most Rwandans work in agriculture, over 38% of Rwandans lived in poverty as of 2016 (*World Bank*). Land is scarce in Rwanda as it is one of the most densely populated countries in Sub-Saharan Africa and is known for its difficult to navigate, mountainous landscape.

Rwanda has experienced a dark history with the coffee industry that has been rooted in colonialism and the exploitation of coffee producers. From a broad perspective, the coffee industry is neocolonial since coffee beans are overwhelmingly grown in the global south and consumed by the global north. Furthermore, colonizing countries played a role in establishing the global coffee industry by regulating agricultural and trading practices in colonized countries. Particularly, in Rwanda, Belgium colonizers enacted policies that forced Rwandan farmers to grow coffee trees (Kamola, 2007). The consequences of coffee colonialism continued to destabilize the post-colonial Rwanda socially, politically, and economically.

In an effort to reduce coffee producer poverty and poor working conditions, the Fair Trade Organization was established in 1988 (FairTrade International, 2018). Fair trade certification outlines strict standards for quality, fair labor practices, and environmental protections. Fair trade has become popular among consumers and businesses, as Starbucks, the world's largest coffee corporation, is one of the largest purchasers of Fair Trade Certified coffee in the world (FairTrade International, 2018). While these certifications may make consumers feel positively about their consumption, the economic impact of Fair Trade on coffee producer livelihood has been disputed. In this paper, I will analyze the history of the Rwandan coffee industry, examine the extent to which Fair Trade has impacted Rwandan coffee producers, and provide insight to the future direction of Rwanda's coffee industry.

Colonial History

In pre-colonial Rwanda, there were two primary economic and ethnic identities: the Tutsi and the Hutu people. Tutsi referred to the ethnic group who were close in political and economic standing to the Rwandan king. Hutu referred to everyone else, and these people were treated as peasantry. Germany colonized Rwanda as part of German East Africa, and in 1905, they introduced coffee farming to Rwanda. After World War I, Rwanda became a Belgium colony, and by 1931, Belgium colonial authorities enacted new laws to promote coffee farming. One ordinance encouraged Tutsi chiefs to utilize their power to force their subjects to farm coffee to be exported to Europe (Kamola, 2007). This law forced Hutu peasants to work on plantations and to develop colonial infrastructure. Undoubtably, Belgium colonization helped Tutsi people to consolidate their power and establish that Hutus were the inferior, poor, and largely agricultural class citizens. In 1933, colonial authorities deepened the ethnic divide by issuing ethnic identity cards which determined the type of social services a person was able to obtain (Kamola, 2007). Education and high paying jobs were reserved only for the Tutsis. These restrictions made it easier for the colonizers to maintain control of Rwanda and export cash crops, especially coffee. This historical evidence suggests that Rwandan economy became dependent on agriculture, and primarily coffee, as a result of colonialism.

Frustrated by the Tutsi Monarchy, the Hutu leaders began organizing against the Tutsis. They wrote a manifesto calling for the emancipation of the Hutu “race” from the colonial and Tutsi subjugation. The pro-Hutu PARMEHUTU party staged a revolt, and violence between Hutu and Tutsi became increasingly dangerous. Over one hundred thousand Tutsis were forced to flee present-day Rwanda into neighboring countries (Kamola, 2007). After the Tutsi King died in 1959, Belgium granted independence to Rwanda and allowed elections to occur (Kamola, 2007). Although the Hutus previously had limited economic opportunities, Hutus were the majority population and easily won the elections. At this time, coffee was a quickly growing industry, and coffee became Rwanda’s “primary source of foreign currency” (Kamola, 2007, pg. 580). The importance of coffee to the Rwandan economy allowed Hutu people to gain economic power. Hutu people had historically been the agricultural workers, so they centralized control of coffee production and exportation to become Rwanda’s ruling class (Kamola, 2007). Hutus’ growing power was strengthened by the International Coffee Agreement (ICA). The ICA caused the international price of coffee to rise, and the Hutu people were able to capitalize on being the producers of this “increasingly valuable commodity” (Kamola, 2007, pg. 581). The Hutus used their increasing power to continue to persecute Tutsis. It is evident that since colonization, political power in Rwanda focused on maintaining or gaining control of the rents generated by cash crops. In Rwanda, this political power was used to assert that one race was superior to another. The ruling Habyarimana regime controlled the prices of coffee, and at first, the regime offered high prices to win support of rural farmers. With the need for increased military expenditures, the Kayibanda regime had to end these unsustainable price supports in 1992 which ensued extreme hardship for coffee farmers (Boudreaux & Ahluwalia, 2009). To distract from its own economic failures, the Habyarimana regime vilified Tutsis who were reentering the country (Boudreaux & Ahluwalia, 2009). The regime accused the Tutsi minority of taking away access to already scarce land. Political repression of the Tutsi minority worsened, and ethnic hatred grew to a disastrous level. In 1994, the Habyarimana regime killed over 800,000 people and forced millions more to flee to neighboring countries as refugees (Cowell, 2019). Nearly all the victims were of the Tutsi ethnicity, but the regime also targeted Hutus who did not fully support the government (Boudreaux & Ahluwalia, 2009). The Rwandan Genocide was a tragic crime against humanity and was one of the largest scale genocides the world has witnessed seen since World War II.

Post-1994 Rwandan Coffee Industry

Growth in the coffee industry has been important for the Rwanda's social and economic recovery after the 1994 Rwandan Genocide. Since 1995, the market for ordinary coffee has plateaued, making way for the high growth seen the specialty coffee market (Boudreaux & Ahluwalia, 2009). One way that coffee producers can achieve specialty coffee status and reap the benefits of the rapidly expanding market size is by meeting Fair Trade Certification standards. In 2002, the Government of Rwanda launched a National Coffee Strategy that encouraged coffee farmers to switch from producing ordinary grade coffee to specialty grade coffee (Boudreaux, 2011). In order to produce higher grade coffee, Rwandans invested in coffee washing stations. These stations allow rural workers to process the coffee cherries which they directly harvest from the plant. Coffee cherry processing involves de-pulping the skin surrounding the coffee bean and allowing these beans to ferment. While this is a value-added process, the required equipment poses a high entry cost to impoverished farmers. Therefore, many of these coffee washing stations are owned cooperatively by small scale coffee producers. As of 2009, twenty percent of all Rwandan coffee growers participate in coffee cooperatives, and the total number of cooperatives has exceeded 150 (Elder et al., 2012). Of these 150 cooperatives, over fourteen cooperatives have achieved Fair Trade certification representing over 7500 independent coffee farmers (Elder et al., 2012).

Investment into coffee washing stations has proved to have social spillover effects. Coffee farming occurs mainly in rural, mountainous areas where large scale community infrastructure is inaccessible. Coffee washing stations offer a new opportunity for these isolated farmers to interact with other Rwandans. By jointly managing these cooperatives and repeatedly gathering at coffee washing stations, Rwandans have experienced a reduction of ethnic separation and increased sense of national and cultural identity (Boudreaux & Ahluwalia, 2009). This may have helped Rwandans rebuild social networks following the Rwandan Genocide. Women, in particular, experienced new opportunities for economic and interpersonal growth at coffee cooperatives. Although farming roles were traditionally reserved for men, many Rwandan women entered the coffee industry labor force largely due to high male death and imprisonment rates. Today, Hutu and Tutsi women work side by side as members of coffee cooperatives, restoring relationships and earning income (Boudreaux & Ahluwalia, 2009). Clearly, coffee washing stations increase the quality of Rwandan coffee and are hubs of social interaction. However, there is a disagreement about the extent to which Fair Trade certification practices truly improve coffee producer livelihood and overall trade justice.

Impact of Fair Trade in Rwanda

The purpose of Fair Trade is to increase the producers' standard of living in developing countries. Coffee farmers in Rwanda began producing Fair Trade certified coffee in 2002. Despite Rwanda's small land area, it surpasses almost all African countries in the number of Fair Trade certified coffee producer organizations (Elder et al. 2012).

The first way that Fair Trade is expected to increase producer incomes is via a price floor. A price floor sets a minimum price that a Fair Trade buyer can purchase Fair Trade Certified coffee. According to the U.S. Agency for International Development, "approximately 50,000 households have seen their incomes from coffee production double, and some 2,000 jobs have been created at coffee washing stations" (2006). Since Rwanda's economy is heavily dependent on the price of coffee, this price floor should reduce the risks faced by producers when the world price of coffee is low.

In recent years, the world price of coffee has been high, so the Fair Trade minimum price has functioned as a non-binding price floor. In the early 2000s, the price of coffee fell dramatically, reaching a thirty year low in 2001 (USAID, 2006). When this occurred, Fair Trade certified coffee was able to be sold above these prices offering protection to coffee producers around the world. However, these low world prices occurred prior to when the Rwandan government supported transitioning to fully washed coffee. In the early 2000s, very few Rwandan farmers had begun producing Fair Trade coffee (Ortega et al., 2019). Therefore, Rwandan coffee farmers experienced little to no benefit from the Fair Trade price floors. Secondly, producing Fair Trade coffee does not guarantee that the coffee will be sold as such. For example, when the supply of Fair Trade coffee exceeds the demand, producers may choose to sell Fair Trade coffee as ordinary grade coffee. When producers are forced to sell their coffee with higher production costs at lower grade coffee prices, they frequently incur a loss on the sale of these fully-washed coffee beans (Smith, 2009).

A second beneficial mechanism of Fair Trade organizations is the Fair Trade premium. The Fair Trade price premium is an added fee that buyers pay to purchase Fair Trade coffee. The revenue from this premium is used to provide social and development services for the cooperative community (FairTrade International, 2018). Members of the cooperative are encouraged to act democratically to spend the premium on projects including building new schools, health facilities, sanitation infrastructure, or other community developments. According to Paul Collier, the Fair Trade premium functions as an inefficient charity that incentivizes reliance on volatile crops. Collier argues that “a key economic problem for the bottom billion is that producers have not diversified out of a narrow range of primary commodities. Raising their prices makes it harder for people to move into other activities. They get charity as long as they stay producing the crops that have locked them into poverty” (2007). This analysis suggests that the Fair Trade premium is not a sustainable way of community development because it disrupts market equilibrium price incentives (Smith, 2009). The number of Fair Trade Certified cooperatives is increasing at a quicker rate than the demand for Fair Trade coffee. Since supply will eventually be much greater than the demand, coffee producers will be forced to sell their coffee for a loss (Smith, 2009). Furthermore, primary agricultural crop prices are volatile. In order to smooth the income of farmers and protect against sharp price falls in a single market, diversification should be encouraged. However, the Fair Trade Organization encourages the overproduction of single crop.

In 2015, the United Nations adopted the Sustainable Development Goals (SDGs) which are a global call to action for peace and prosperity by 2030. Out of the seventeen SDGs, the Fair

Trade Organization promotes impact within six: no poverty, gender equality, clean water and sanitation, decent work and economic growth, responsible consumption and production, and life below water (FairTrade International, 2018).

As a result of Fair Trade, Rwandan specifically has made progress towards Sustainable Development Goal 5 for Gender Equality. 65% of farmers who belong to Rwandan Fair Trade Certified cooperatives perceive that there is an increase in women participation in the decision-making process (Elder, 2012). Perception of female inclusion is highest in Fair Trade Certified cooperatives compared to non-certified cooperatives and privately-owned coffee farms (Elder, 2012). Duhingekawa is a women's coffee farming association in the rugged hills of Rwanda's Gakenke District, and is associated with the larger, Abakundakawa cooperative community which has been Fair Trade Certified since 2005. Nearly two hundred women are members of Duhingekawa, and over two-thirds of the coffee produced by the Abakundakawa cooperative is produced by women (*Rwanda Profiles: Abakundakawa Cooperative*, 2012). The leader of this women's organization acknowledges the role of the Fair Trade Organization in the success of their cooperative. She recounts, "We used to sleep on the floor; now we have mattresses. We can make our clothes ourselves now after the harvest. And we hope that our members will have a lot of chances to make change. We thank you Fair Trade for all of your help" (*Rwanda Profiles: Abakundakawa Cooperative*, 2012). Despite this positive narrative and the increased ability for women to be involved in Fair Trade cooperative decision making, there is no statistically significant difference in the percentage of female coffee farmers between Fair Trade, non-certified cooperatives, and privately owned washing stations (Elder, 2012). Additionally, there were no statistically significant increases in primary education, secondary education, or coffee farmer income between Fair Trade and other types of coffee washing stations (Elder, 2012).

However, a limitation of these results is that this study did not consider whether all coffee farmers are equally likely to join a Fair Trade, non-certified cooperative, or privately owned washing station. Criticisms of Fair Trade often point to similar lack of quantitative evidence globally, and a need for increased external audit of the FairTrade International Organization.

Alternative Explanations

Despite the nominal increase in rural farmer incomes over the last twenty years, there has been little evidence to suggest that there is a causal relationship between Fair Trade certification and increased standard of living for Rwandan coffee farmers. Rather, market liberalization in the coffee sector may be responsible for these effects. After Rwanda gained independence, the Hutu government continued to enforce export taxes because they had little other sources to raise government revenue (Boudreaux & Ahluwalia, 2009). The Rwandan government then formed a partnership with Rwandex which monopolized coffee exports (Boudreaux & Ahluwalia, 2009). Middlemen bought coffee from small, independent farmers at the farm gate price established by the government. Next, middlemen sold the coffee to Rwandex which exported the majority share of Rwandan coffee to the world market. After the genocide, the Rwandan government made efforts to restructure the coffee value chain. Instead of the government setting prices for the entire year, a committee of shareholders met weekly to set a reference price that could be negotiated by producers (Boudreaux & Ahluwalia, 2009). In 2002, the Rwandan government announced a National Coffee Strategy to improve producer incomes by transitioning to specialty, fully washed coffee. Coffee washing cooperatives, irrespective of Fair Trade certification status, helped to develop farmers' Accounting, Marketing, and other technical business skills which led to increased entrepreneurial activity (Boudreaux, 2011). Resultingly, market liberalization, including increased entrepreneurship and responsiveness to changes in the market for coffee beans, contributed to reduced poverty among rural populations. In 2000, the percentage of the population living on less than $1.90 per day (2011 International dollars) in Rwanda was 78% (*World Bank*). Market liberalization and Rwanda's National Coffee Strategy helped the poverty headcount ratio fall to 69.1% in 2005, and as of 2016, the poverty headcount ratio in Rwanda is 56.5% (*World Bank*).

Conclusion

The importance of coffee farming to Rwandans is explained by Rwanda's heavy reliance on the agriculture sector and complex history with the crop. Coffee production was a main focus of the colonial government. Policies to regulate coffee exports worsened ethnic division leading to the Rwandan Genocide. In the recovery period, transitioning to fully washed coffee beans offered spaces for reconciliation and for escaping the low quality, low quantity trap. Fair Trade aims to address persistent inequalities and improve the standard of living for the world's coffee producers who often experience extreme poverty. Proponents of Fair Trade argue that it increases justice in the coffee supply chain through minimum prices and the Fair Trade Premium. Critics of Fair trade argue that it perpetuates poverty by discouraging crop diversification. Overall, there is little empirical evidence to suggest that Fair Trade certification directly increases Rwandan producer incomes. Improvements in Rwandan coffee producer livelihood are more likely attributed to market liberalization and increased sense of community. Despite these modest improvements, there is still vast injustice caused by the coffee supply chain, and significant progress must be made to achieve the Sustainable Development Goals. Rwanda is considered one of Africa's most economically stable countries. With much of the economy dependent on agriculture, improvements in the coffee industry pose an opportunity for Rwanda to become a middle-income country in the future.

Undoubtedly, coffee is a treasured commodity shared by people across the globe. One country where coffee takes a particular importance is in Rwanda, a land-locked country in Sub-Saharan Africa. Historical evidence suggests that colonization centered on gaining access to the rents produced by the coffee agricultural sector which deepened Rwandan economic and social divides. Following the 1992 Rwandan Genocide, the national coffee industry was restructured to transition to premium Fair Trade grade coffee.

While these certifications may make consumers feel positively about their consumption, the economic impact of Fair Trade on coffee producer livelihood has been disputed. In this paper, I will analyze the history of the Rwandan coffee industry, examine the extent to which Fair Trade has impacted Rwandan coffee producers, and provide insight to alternative economic explanations for decreasing poverty levels.